GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3591
ANSWERED ON:27.04.2007
HIKE IN INTEREST RATE
Adhalrao Patil Shri Shivaji

Will the Minister of FINANCE be pleased to state:

(a) the impact on real estate sector by the frequent hikes in the interest rate;

(b) the disbursement of home loans in March, 2007 in comparison to March,2006;

(c) whether the Government proposes to review the policy to stabilize the interest rate; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) : As per information provided by Reserved Bank of India(RBI), the annual growth in credit to commercial real estate has declined from 94.7% in March, 2006 to 66.7% in December, 2006.

(b) : Based on the provisional information available from selected banks,outstanding personal housing loans as on December 22, 2006 and March 31,2006 amounted to Rs.2,17,829 crore and Rs. 1,84,790 crore, respectively.

(c)& (d) : The interest rates on advances above Rs.2 lakhs have been deregulated by Reserve Bank of India(RBI) and banks are free to fix the rate of interest themselves with the approval of their Boards.Banks have been advised to fix their Benchmark Prime Lending Rate (BPLR) after taking into account cost of funds, transactions cost, risk factor margin and other overhead expenses. However, banks are free to charge interest without reference to their Benchmark Prime Lending Rate(BPLR) and regardless of the size in respect of consumer loans and non-priority sector personal loans, including home loans.